



VOLUME 2007.04, APRIL 2007

## 2007 Pension Board Trustee Election Completed

The 2007 election for the Trustees of the Dallas Police and Fire Pension System was completed on April 9, and the Board certified the election at their Regular Board Meeting on April 12.

The Police officer candidates, Steve Shaw (Po-

lice Trustee, Place 2) and Rector McCollum (Police Trustee, Place 3), were unopposed and, in accordance with Board policy, were deemed elected.

For Fire Trustee, Place 2, Gary Edge was elected with 79% of the vote. Bernard Pipkins received

14%, while Cristian Hinojosa received 6%.

For Fire Trustee, Place 3, George Tomasovic was elected with 78% of the vote, while Willie Reynolds received 21%.

The Trustees begin their new terms on June 1, 2007.

## Thousands Gather to Remember Fallen Officer

Several thousand police officers, firefighters, military personnel, and members of the public gathered on Wednesday, March 28 to remember Senior Corporal Mark Nix, who was killed in the line of duty

See "Fallen Officer" on page 2



# Fallen Officer

*Continued from page 1*

on March 23.

The Board and staff of the Pension System wish to express sincere condolences to the family and friends of Sr. Cpl. Mark Nix.

## PENSION SYSTEM CALENDAR

- APRIL 26: FINANCIAL PLANNING SEMINAR
- MAY 10: REGULAR BOARD MEETING
- MAY 15: QUARTERLY FINANCIAL BOARD MEETING
- MAY 16: POLICE MEMORIAL CEREMONY
- MAY 17: PREP SEMINAR
- MAY 28: MEMORIAL DAY (PENSION SYSTEM OFFICE CLOSED)
- JUNE 14: REGULAR BOARD MEETING

# Police Memorial Ceremony Set for May 16

The annual Dallas Police Memorial ceremony is scheduled for Wednesday, May 16 at 12 noon at the Police Memorial on the north side of City Hall. Each year, a solemn ceremony is conducted, honoring officers who have died in the line of duty. This year, Senior Corporal Mark Nix's name will be added to the Police Memorial.





## Q & A on 10% Early Distribution Tax Penalty

*The System cannot provide financial or tax advice to you. However, the questions and answers below are intended to describe some of the tax consequences of the 10% early distribution penalty tax for Members who leave Active Service after the effective date of the Pension Protection Act of 2006, August 17, 2006, that may result from deferring into DROP or taking payment from your DROP account. Be sure to consult a tax advisor before taking payments from your DROP account.*

**1. If I leave Active Service in or after the year I attain age 50, am I subject to the early distribution penalty?**

No. Your monthly benefit payments, DROP disbursements and deferrals will not be subject to the 10% early distribution penalty tax, even if you make changes in your deferral.

**2. If I leave Active Service before I attain age 50, am I subject to the penalty?**

You will not be subject to the 10% tax penalty if, until age 59 ½, you take only “substantially equal periodic payments” from your DROP account or defer your benefits into DROP. Taking **lump sum payments** or **changing** your stream of payments by starting, stopping or changing your DROP deferral amount before age 59 ½ may subject the lump sum and prior payments received to the penalty tax. (See #4)

**3. If I retire before attaining age 50 and put my entire pension into DROP for some time but begin to receive substantially equal periodic payments sometime before age 59 1/2, is there an immediate early dis-**

**tribution penalty tax?**

No. There would be no penalty tax in this situation because no prior payments were actually received until the substantially equal payments commenced. The continuing payments would not be subject to the penalty as long as they remain substantially equal. **Once the payments commence, however, you will be subject to the penalty tax until age 59½ and prior payments could become subject to the penalty tax if the substantially equal periodic payments are changed.**

**4. If I retire at age 43 and commence to receive a distribution of substantially equal payments, then enter Retiree DROP at age 57, is there an immediate penalty?**

Yes. You will be subject to the penalty until age 59½. The entry into DROP would be a deviation from your stream of substantially equal payments. All prior distributions are subject to the 10% penalty and to interest.

**5. What does “substantially equal” mean?**

Payments are “substantially

equal” when taken as a stream of essentially equal payment amounts over a period designed to continue at least until a Pensioner attains age 59 ½. A variance (increase or decrease) from the payment stream of less than 10% of the annual total of the stream has been held by the IRS to not change “substantially equal” status.

### CONGRATULATIONS TO OUR NEW RETIRES!

#### **POLICE**

William W. Childers  
Michael W. Coker  
Melvin D. Cozby  
Ronald K. Ellison  
Steven C. Jackson  
Donna K. Lowe  
Cindy E. Mabina  
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#### **FIRE-RESCUE**

David J. Chapman  
Luther R. Crosby, Jr.  
Kent G. Miller  
Calvin E. Morris  
Linda L. Nelson

## Possible Tax Penalty on Payments From DROP

By Richard Tettamant, Pension System Administrator

The Pension Protection Act of 2006 provided relief from an Internal Revenue Code rule that imposes a 10% early distribution tax on certain pension payments you may receive before age 59½.



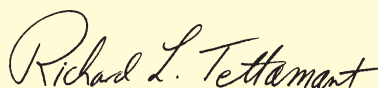
The 10% penalty tax generally can apply if you take distributions from DROP or change your DROP deferral status before age 59½.

There are several exceptions that may let a person avoid the tax. One exception exempts you from the penalty tax if you receive only what are called “substantially equal periodic payments” or defer your benefits into DROP.

Another exception was changed as part of the Pension Protection Act of 2006. Under this exception, you are not subject to the tax if you leave active service after August 17, 2006, the effective date of the new law, **and** this is in or after the year you attain age 50. (Under the prior law, the age was 55.)

See page 3 of this newsletter for a short Q & A on the penalty tax. The Pension System provides general information about tax provisions, but this is not tax advice and may be affected by changes in the law or new IRS interpretations. Before taking distributions from DROP or electing deferral into DROP, you should consult a tax advisor to determine how the law may affect you.

Best Wishes,



Pension System Administrator

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